

BUSINESS ADVISORY COUNCIL  
for the  
Department of Commerce

Report of Special Anti-Recession Committee

At the request of the Secretary of Commerce a Special Committee\* of the Business Advisory Council met on April 4, 1958 to agree on recommendations on what anti-recession steps should be taken by Government and industry at this time.

1. At the outset it was agreed that the downward course of the economy was proving to be more severe than had been generally anticipated in October 1957.

2. The Committee was in unanimous agreement that INFLATION remains the long-term problem of the economy and that short-term measures of expediency must be weighed against the long-term problem of inflation.

3. There was agreement that the anti-recession steps which the Government has already taken, such as accelerated apportionment to the States under the Highway Program, acceleration in already-approved Defense spending, Government purchases and Public Works Programs if soundly administered should be helpful. The recent actions of the Federal Reserve Board were felt to have been wise, courageous and correct.

4. Noting that there is sometimes a considerable time lag in the preparation of overall statistics for the national economy, the Committee agreed that they stood ready to cooperate with any designated office of Government in providing on an interim basis individual company information promptly (such as by flash,

\*The Committee was composed of Messrs. T. V. Houser, Chairman; J. L. Collyer, G. Keith Funston, E. Holman, D. C. Josephs, F. R. Kappel and L. M. Williams.

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telephone reports on new orders, inventories, etc.) if such information would prove helpful in following the economy more closely.

5. The Committee found the economic problems facing the United States could best be discussed in two categories: (1) areas in which business leaders could take the initiative, and (2) other areas which by their nature involve Government initiative and authority.

A. BUSINESS

6. The Committee felt that the business community should be vocal and informative to the public at large regarding constructive programs and measures which are being undertaken. In this connection the Committee endorses (a) the aim and purpose of the forthcoming Economic Mobilization Conference to be held in New York City on May 19th and 20th, 1958 under the auspices of the American Management Association, and (b) the efforts of the Advertising Council, and other organizations, to publicize the basic soundness of our economy and its long-term growth potential.

7. The Committee felt that the business community should continue current initiative and take additional action and measures on (a) vigorous selling campaigns, (b) product improvement and cost reduction programs designed to give better quality or lower prices or both to the public and (c) where long-term projects are in process, to the extent possible, continuation of reasonably level capital goods investment program during 1958 and 1959.

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B. GOVERNMENT

8. Bearing in mind the long-term problem of inflation and the importance of avoiding price increases and even of providing price decreases during this period, the Committee recommends that President Eisenhower call for a voluntary, one-year moratorium on further wage rate increases by labor and on corresponding price increases by business.

9. The Committee supports the accelerating of expenditures of already-approved Federal programs having to do with highway, defense, and planned and needed public works. The Committee strongly opposes the initiation of projects of the make-work variety originated strictly as anti-recession measures.

10. a. The Committee recommends against any tax reduction at the present time, although at some future date, if the decline in general consumption continues, it may become the proper course. In that event such reduction should be accomplished by the simple formula of a percentage reduction in present personal income tax rates across the board. This could be accomplished quickly, effectively and without a fixed term being indicated. (The Committee was divided on the issue of whether corporate taxes should be reduced as part of the above tax reduction program; similarly, it was divided on the desirability of reducing or eliminating many of the present excise taxes, although all agreed that having been imposed under wartime conditions many were now outmoded.)

b. In the interest of time no general overhauling of the tax structure should be undertaken, desirable as such an overhauling would be for the long-term good of the economy.

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c. A number of Committee members, but not a majority, were in favor of greater flexibility as to depreciation rates particularly for new projects.

d. Should the Government be faced with the alternative of tax reduction or equivalent spending on projects not otherwise contemplated, the Committee unanimously favors tax reduction.

11. The Committee opposes pending legislation extending unemployment compensation benefits by Federal Government action on two grounds: first, so far as the ability of the individual States to cope with the problem is concerned, the legislation is unnecessary because the States have the responsibility for unemployment benefits and have at their disposal \$8 billion for this purpose, plus for the few who are short of funds the availability of the \$200 million Federal fund; and second, it could well lead to a breakdown of the present system with the States' merit rate feature which has been so carefully built up over the years as an important stimulus to stable employment.

April 18, 1958